Anti-tobacco forces seize upper hand

Government considering taxes, buy-out

By Todd Pack
Herald-Leader business writer

The fight between the burley farmers and "the anti's" is generations old. What is new is that the anti-tobacco forces now have the edge.

In Washington and even in the state house, the political and economic climate is increasingly hostile to Kentucky's No. 1 cash crop.

"I've never seen such a vicious attack on so many fronts," said John Berry Jr., president of the Burley Tobacco Growers Cooperative Association in Lexington.

There is talk of the government buying out farmers' quotas or, more likely, raising the federal tax on cigarettes.

In Frankfort, state Rep. Anne Meagher Northup, R-Louisville, is revising her controversial state cigarette tax plan.

Philip Morris USA is cutting prices on Marlboro cigarettes 40 cents a pack. If that leads to a price war, farmers said, tobacco companies might use more imported tobacco to save money.

This comes soon after a report by the U.S. Environmental Protection Agency that tobacco smoke can cause cancer in non-smokers. Burley growers dispute that report, but many concede the damage is done. They expect a drop in cigarette sales and wide restrictions on public smoking.

Each of these factors alone could damage the tobacco culture; together, the effect could be devastating.

"It's not only farmers," said Jessamine County farmer Bobby Rankin; many small businesses that depend on farmers could also go under.

"It would be a disaster," Berry said.

"Punitive legislation"

Northup said that "the anti's" understand this. Health-care advocates would tax tobacco to discourage smoking, she said, and they would set aside some money to aid farmers by developing new food industries in tobacco states.

Northup is among the lawmakers who have discussed buying out tobacco quotas, which the federal government allots to ensure a high market value.

Berry, president of the Lexington co-op, said he opposes a buy-out because it would provide only a one-time payment, not a continuing source of income.

Even the plan's advocates said that a buy-out is unlikely because of the cost and strong opposition from farmers.

Herald-Leader/David Perry

John Berry, president of the Burley Tobacco Growers Cooperative Association, grows tobacco in Henry County.

U.S. Rep. Scotty Baesler, D-Lexington, a tobacco grower, said, "If you want to pay me $10 a pound, sure, but no one's talking about that." He has heard the government could pay about $2 a pound.

Baesler said that the government should compensate for future farm losses, not just one year's crop.

This winter, burley averaged $1.82 a pound in the Burley Belt, which consists of Kentucky, Indiana, Missouri, North Carolina, Ohio, Tennessee, Virginia and West Virginia.

Farmers sold 735 million pounds of burley during the buying season; Kentucky farmers sold 530 million pounds.

If the government paid $2 a pound for quotas producing 735 million pounds of burley, the cost would be $1.5 billion.

There is a precedent for such a buy-out; several years ago, the government stabilized milk prices by buying 1.5 million head of dairy cattle for nearly $2 billion.

Although a buy-out is unlikely, the proposed taxes are not.

President Clinton is considering raising the federal cigarette tax from 24 cents to $2 a pack to help finance health-care reform legislation.

That would raise the counter price of a pack of cigarettes to about $3.40 in Kentucky.

In a bill filed last month, U.S. Rep. Michael Andrews, D-Texas, proposed raising the excise tax to $1 a pack.

That measure would set aside 10 percent of the tax revenue, about $1 billion, to aid tobacco states; 3 percent would be used to find new crops.

U.S. Sen Wendell Ford, D-Ky., who is staunchly pro-tobacco, calls both plans "punitive legislation."

The $2 excise tax would cost tobacco states 231,000 jobs and the $1 tax half as many, according to the Tobacco Growers' Information Committee Inc.

The North Carolina group said that a quarter of those would be

(Cont'd.)

LEXINGTON HERALD-LEADER, LEXINGTON, KY., SUNDAY, APRIL 11, 1993

COMAP ASKS)

2023003620

Source: https://www.industrydocuments.ucsf.edu/docs/jpkm0000

APR 21 1993

(Cont'd.)

farmers; the rest would include wholesalers and retailers.

Danny McKinney, chief executive officer of the Lexington burley co-op, said that he doubts the final tax will be excessive.

"I believe we can beat it back from $2 to $1, without question, and I think we have a chance to beat it back to the 40- or 50-cent range," he said.

Andrews aide Jeff Patterson disagrees. "When the president is asking for $2 a pack, I think that shows there's a lot of support for this."

Indeed, a recent Time/CNN poll found that 63 percent of Americans favor a $1 tax on a pack of cigarettes.

Northup's plan, meanwhile, would put a basic 3-cent tax on all tobacco products sold in Kentucky; there now is a 3-cent-a-pack tax on cigarettes but no tax on chewing tobacco, cigars or pipe tobacco.

Northup would levy a higher tax on cigarettes using 10 percent or more imported tobacco.

Name-brand cigarettes use about 10 percent imports, she said, and cheaper brands use as much as 50 percent.

The plan, similar to one Northup pushed last winter, could produce revenue of $60 million the first year, with at least some of the money going to develop new food industries in Kentucky.

But the search for economically viable alternative crops has been futile, said Larry D. Jones, an agricultural economist at the University of Kentucky.

"The truth is there are none," he said.

Rankin, the Jessamine County farmer, said he grosses $225 an acre from corn but grosses about $5,000 an acre from burley.

Kentucky's moderate climate and rolling farmland make it especially suitable for tobacco rather than row crops such as corn.

Faith in Kentucky burley

Imports are an equal threat to the state's tobacco culture, Baesler said. If imports are not restricted, "the rest of this is academic."

In 1992, tobacco companies imported 461.9 million pounds of tobacco, up from 257.7 million pounds in 1991.

Kentucky farmers want the government to guarantee a market for their burley, not make them switch to unprofitable new crops, Baesler said.

Philip Morris' decision to reduce the price of Marlboro cigarettes could give that and other tobacco companies an excuse to use still more imported tobacco to save money, Northup said.

Philip Morris spokesman Jay Poole said that would not happen. By dropping the price, he said, the company expects to sell more cigarettes, and that will mean greater demand for domestic burley.

The company, which has a plant in Louisville that makes Marlboros, buys more Kentucky burley than any other firm.

Kentucky's tobacco culture is clearly endangered, but many are convinced it will survive.

"In all of the cultures where tobacco has been introduced, people have tried to ban it, but smoking has continued," said John Diana, director of UK's Tobacco and Health Research Institute.

"My guess is you couldn't abolish it," he said. "If you make it illegal, you'll have a lucrative black market come up, and no one wants that."

McKinney thinks burley will remain a vital crop in his lifetime. What happens 50 years from now is less certain, he said.

His advice to farmers: "Don't send all your children to college to learn how to raise tobacco."

Tobacco troubles

Herald-Leader staff report

Last year, U.S. tobacco companies imported 461.9 million pounds of tobacco, most of it from Brazil, Guatemala and Malawi, up from 257.7 million in 1991.

The industry troubles have continued in 1993:

- **Jan. 7:** EPA reports that secondhand cigarette smoke causes cancer in non-smokers.
- **Feb. 26:** President Clinton considers an excise tax of $2 a pack to help pay for health-care reforms.
- **March 2:** U.S. Rep. Michael Andrews, D-Texas, files a bill that would raise the federal excise tax on a pack of cigarettes from 24 cents to $1.
- **April 1:** The national Centers for Disease Control and Prevention report an end to the 25-year decline in smoking; 25.7 percent of Americans smoked in 1991, statistically unchanged from 25.5 percent in 1990.

The report says more blacks and women began smoking. The CDC joins the call for higher cigarette taxes.

- **April 2:** Philip Morris USA announces it will reduce the price of Marlboro cigarettes 40 cents a pack.

MHB

DAILY NEWS, Wednesday, April 21, 1993

RECEIVED
APR 21 1993
MURRAY H. BRINC

THE SUNDAY TELEGRAPH APRIL 18 1993

'Death' manufactured in Calif.

Joe Camel is getting a run for his money — from a skull and crossbones. Death Cigarettes, sold in a black package featuring that insignia, were introduced Friday in New York in the standard size of 20 Class A smokes.

Talk about truth in advertising.

And some are coughing up the $2.25 to try them. "They taste just like Carltons," one smoker said.

Just a gag? No, says Charles Southwood, 55, the founder of Death Tobacco in Venice, Calif. "The idea is not to smoke. It very truthfully states what it is and what it does to you."

Like normal cigarets, they come with a surgeon general's warning. Unlike normal cigarets, they come with a manufacturer's warning: "If you don't smoke, don't start. If you smoke, quit."

Allegedly "fighting fire with fire," Southwood says he hopes "we're helping to diminish smoking in the U.S."

"We have a niche of young people 18 to 30 years old. I think they see the truth in it," he says.

But the American Cancer Society is fuming. "We've always known the tobacco industry is selling death," says spokesman William Cahan, senior attending surgeon at Memorial Sloan-Kettering Cancer Center. "This man is just trying to make more money on it." **John Webb**

DEATH on your grocer's shelf. PAT CARROLL DAILY NEWS

WORLD WATCH

Cigarette ends

CHINA has banned cigarette advertising and the use of leaders' names to promote products. — AFP

for unlikely event that comes up at mtg, any thoughts on what + should say — if anything?

MAH 4/21

2023003621

COMP A83(5)

Source: https://www.industrydocuments.ucsf.edu/docs/jpkm0000